

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 JEFF HATCH-MILLER, Chairman
4 WILLIAM A. MUNDELL
5 MARC SPITZER
6 MIKE GLEASON
7 KRISTIN K. MAYES

8 In the matter of:) DOCKET NO. S-03576A-04-0000

9 SCOTT ERICK LANGFITT, individually)
10 10175 Hoover Woods Road)
11 Galena, OH 43021)
12 CRD# 1695817)

13 DECISION NO. 67930

14 Respondent.

15 **ORDER TO CEASE AND DESIST, ORDER**
16 **FOR ADMINISTRATIVE PENALTIES, AND**
17 **ORDER OF REVOCATION AGAINST**
18 **RESPONDENT**

19 On December 22, 2004, the Securities Division ("Division") of the Arizona Corporation
20 Commission ("Commission") filed a Notice of Opportunity for Hearing Regarding Proposed Order
21 To Cease and Desist, for Administrative Penalties, of Revocation, and for Other Affirmative
22 Action ("Notice") with respect to Respondent SCOTT ERICK LANGFITT ("Langfitt" or
23 "Respondent"). The Division served the Notice on Respondent via certified mail, return receipt
24 requested, on January 3, 2005. The Notice specified that Respondent would be afforded an
25 opportunity for an administrative hearing regarding this matter upon filing a written request with
26 Docket Control of the Commission within ten days of receipt of the Notice. Respondent failed to
request a hearing within the required time.

On February 7, 2005, an Ohio attorney sent a letter of representation on behalf of
Respondent to the Division, which the Division filed with the Commission. Respondent's counsel
neither filed a request for hearing nor an Answer to the allegations contained in the Notice. On
February 18, 2005, Administrative Law Judge Marc E. Stern issued a procedural order extending
the deadline for 45 days for Respondent to file a request for hearing, and/or take other appropriate
action, to enable Respondent's out-of-state counsel to file a Motion and Consent for Admission Pro

1 Hac Vice. The procedural order instructed Respondent to take appropriate action within the
2 prescribed time period or Respondent would be in default, and the Division to submit a proposed
3 final Order to the Commission for its approval at Open Meeting. Respondent again failed to
4 request a hearing or to take any other appropriate action within the required time period.

5 **I.**

6 **FINDINGS OF FACT**

7 1. Langfitt's last known address is 10175 Hoover Woods Road, Galena, Ohio 43021.

8 2. From on or about January 30, 1998 until he was discharged on or about September 9,
9 2004, Langfitt, NASD CRD No. 1695817, was registered as a securities salesman in Arizona in
10 association with securities dealer Wachovia Securities, LLC ("Wachovia"). Langfitt's Arizona
11 securities salesman registration automatically suspended on the date of his termination with
12 Wachovia and terminated on December 31, 2004. Langfitt is not currently associated with any
13 securities dealer.

14 3. On or about November 15, 2003, Langfitt, operating out of Ohio, solicited an Arizona
15 resident who had been his customer for 10 years to invest \$58,250 in securities in the form of
16 public housing municipal bonds of the "Louisville Kentucky Redevelopment Authority" (the
17 "Bonds").

18 4. Langfitt represented to the customer that the Bonds paid interest at 7.75%, and advised
19 her that the investment was a better way to use her monies held in a money market account with
20 Wachovia paying less than 1% interest. Langfitt represented that the investment would be insured by
21 Lloyds of London and secured by the municipality, which was working with the Federal Housing
22 Authority and the Department of Housing and Urban Development. Langfitt represented that the
23 customer could take interest semi-annually, or let the interest be compounded and at maturity, 2010,
24 her investment would pay \$100,000.

25 5. Langfitt provided the customer a document purporting to be a "Wachovia Securities
26 Supplemental Account Statement," which was not a bona fide business record of Wachovia.

6. Wachovia had no record of any such transaction by the customer.

7. In early September 2004, Wachovia was provided a series of email communications between a non-Arizona based Wachovia customer and Langfitt, which revealed that Langfitt had engaged in selling the Bonds without the firm's knowledge and approval.

8. Wachovia investigated and could find no evidence these Bonds existed.

9. On September 9, 2004, Wachovia terminated Langfitt for failing to follow the firm's policy prohibiting the sale of securities that are not recorded on the books of the dealer.

10. Wachovia has paid Langfitt's Arizona customer the full amount of her investment.

11. Langfitt misrepresented the nature and existence of the Bonds; misrepresented and/or failed to disclose that the Bonds were not an approved Wachovia product; and created and/or distributed customer account records that were not bona fide business records of Wachovia.

11. Langfitt engaged in dishonest or unethical practices within the meaning of A.R.S. § 44-1962(A)(10), including but not limited to selling securities that were not recorded on the records of Wachovia, as defined by A.A.C. R14-4-130(A)(17).

II.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. Langfitt offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

3. Langfitt violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

4. Langfitt violated A.R.S. § 44-1991 by offering or selling securities within or from Arizona by (a) employing a device, scheme or artifice to defraud, (b) making untrue statements or misleading omissions of material facts, and (c) engaging in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

5. Langfitt's conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.
6. Langfitt's conduct is grounds for administrative penalties under A.R.S. § 44-2036.
7. Langfitt's conduct is grounds to revoke Langfitt's registration as a securities salesman with the Commission pursuant to A.R.S. § 44-1962.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Langfitt, his agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Langfitt shall pay an administrative penalty in the amount of \$20,000. Payment shall be made in full by cashier's check or money order on the date of this Order, payable to the "State of Arizona." Any amount outstanding shall accrue interest at the rate of 10% per annum from the date of this Order until paid in full. If Langfitt does not comply with this order for administrative penalties, any outstanding balance may be deemed in default and shall be immediately due and payable without notice or demand.

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1 IT IS FURTHER ORDERED that Langfitt's registration as a securities salesman is revoked
2 pursuant to A.R.S. § 44-1962.

3 IT IS FURTHER ORDERED that this Order shall become effective immediately.

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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6
7 /s/ Jeffrey Hatch-Miller
CHAIRMAN

William A. Mundell
COMMISSIONER

8
9 Marc Spitzer
10 COMMISSIONER

Lowell S. Gleason
COMMISSIONER

Kristin Mayes
COMMISSIONER

11 IN WITNESS WHEREOF, I, BRIAN C.
12 McNEIL, Executive Secretary of the Arizona
13 Corporation Commission, have hereunto set my
14 hand and caused the official seal of the
15 Commission to be affixed at the Capitol, in the
16 City of Phoenix, this 9th day of
17 June, 2005.

18 /s/ Brian C. McNeil
BRIAN C. McNEIL
Executive Secretary

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DISSENT

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DISSENT

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24 This document is available in alternative formats by contacting Linda Hogan, Executive Assistant
25 to the Executive Secretary, voice phone number 602-542-3931, E-mail lhogan@azcc.gov

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